

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Promote Policy
and Program Coordination and Integration in
Electric Utility Resource Planning.

Rulemaking 04-04-003
(Filed April 1, 2004)

Order Instituting Rulemaking to Promote Consistency in
Methodology and Input Assumptions in Commission
Applications of Short-run and Long-run Avoided Costs,
Including Pricing for Qualifying Facilities.

Rulemaking 04-04-025
(Filed April 22, 2004)

**MOTION OF THE CALIFORNIA COGENERATION COUNCIL TO ADJUST
PACIFIC GAS AND ELECTRIC COMPANY 2008 AS-DELIVERED
CAPACITY PRICES FOR QUALIFYING FACILITIES**

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March 3, 2008

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I. INTRODUCTION

Pursuant to instructions from the Energy Division of the California Public Utilities Commission (“Commission”), the California Cogeneration Council (“CCC”) respectfully submits this Motion to Adjust Pacific Gas & Electric Company 2008 As-Delivered Capacity Prices for Qualifying Facilities (“Motion”), posted by Pacific Gas and Electric Company (“PG&E”) on January 10, 2008 (the “Avoided Cost Posting”).

PG&E's Avoided Cost Posting¹ sets forth PG&E's proposed pricing for January 2008 and reflects the new as-delivered capacity value adopted by the Commission for PG&E in Decision 07-09-040, issued September 25, 2007 (the “Decision”). In contrast, Southern California Edison

¹ http://www.pge.com/suppliers_purchasing/qualifying_facilities/prices/index.html.

Company (“SCE”) and San Diego Gas & Electric Company (“SDG&E”), in their January 2008 avoided cost postings (the “SCE / SDG&E Avoided Cost Postings”), simply continue to use the as-delivered capacity values in effect before the Decision.

The CCC objects to this staggered and inconsistent approach to implementation of the as-delivered capacity values adopted in the Decision. Not surprisingly, PG&E chooses an early implementation date given that the as-delivered capacity value to be paid under its QF contracts will drop significantly (from \$69.93 per kW-year, adjusted for inflation, in 2007 to the \$35.87 adopted in the Decision). SCE chooses not to implement the new as-delivered capacity value since the value to be paid under its as-delivered QF contracts will increase significantly (from \$4.93 per kW-year currently to the \$35.87 adopted in the Decision).

While the Decision is unclear as to the timing for implementation of the new as-delivered capacity values, the investor-owned utilities (“IOUs”) cannot be allowed to take whichever position adversely impacts their particular QFs. Although CCC members fall on both sides of this issue given the as-delivered contracts its members have with all three IOUs, the only fair approach to implementation of the newly-adopted values is a consistent approach. To achieve such consistency among the three IOUs, the CCC proposes that the new as-delivered capacity values for all three IOUs should become effective upon the Commission’s approval of the IOUs’ joint Tier 3 advice letters implementing the rest of the broad changes in short-run avoided cost (“SRAC”) pricing adopted in the Decision. At a minimum, if the as-delivered capacity prices are to be updated before resolution of the other implementation issues, the CCC respectfully requests that the Commission establish a consistent implementation date for all three IOUs.

Consequently, the CCC files this Motion to request that PG&E’s as-delivered avoided cost pricing for January 2008 be reinstated at \$69.93 per kW-year, adjusted for inflation, and that

value remain in place until the date determined by the Commission for concurrent implementation of SRAC pricing under the Decision. The CCC further requests that that implementation date be on the first month following the Commission's adoption of a resolution on the IOUs' Tier 3 advice letters.

II. DISCUSSION

A. The Decision is Unclear as to When the New As-Delivered Capacity Values Should Take Effect

The Decision does not clearly delineate an effective date for implementation of the newly adopted as-delivered capacity values. In Ordering Paragraph 1 of the Decision, the Commission required the implementation of other policies and pricing mechanisms applicable to the IOU's SRAC payments to QFs. Specifically, the Commission adopted the Market Index Formula ("MIF") as the updated SRAC formula for pricing SRAC energy.² The Decision further stated in Ordering Paragraph 3 that the IOUs must file a joint Tier 3 advice letter implementing the MIF and specifying the exact data sets and formula used to calculate the MIF.³ In Conclusions of Law 7, the Decision required that these revised MIF calculations "apply to the going forward SRAC energy prices paid under all contracts, both existing and new."⁴ The IOUs have filed the Tier 3 advice letters and protests that are now before the Commission for resolution. The Decision did not delineate, however, the process for implementation of the newly-adopted as-delivered capacity values. As such, it is unclear from the Decision when the IOUs should begin to post such values.

B. The Implementation Dates for the IOUs' New Pricing Should Be Consistent

² Decision 07-09-040 at 67.

³ *Id.* at 155.

⁴ *Id.* at 149.

As a result of the uncertainty in the Decision, the IOUs have proposed different dates for implementation of the newly adopted as-delivered capacity values. As a means of resolving this conflict, three possible effective dates can be deduced from the Decision: (1) the month following the date the Commission issues a resolution approving the IOUs' Tier 3 advice letters, (2) the date that all of the Decision is implemented, which would include Commission approval of the IOUs' proposed standard offer contracts filed on January 14, 2008; or (3) a staggered approach, where the as-delivered capacity values would be adopted first, the SRAC energy pricing would be adopted second upon Commission resolution of the pending protests, and the QF contracts would be adopted third.

The CCC submits that the most logical and equitable implementation date for the newly adopted as-delivered capacity values would be upon approval of the IOUs' Tier 3 advice letters, which would mean that all of the SRAC pricing issues – for both energy and as-delivered capacity – would be implemented at the same time. Although the CCC would prefer that the Commission implement all of the Decision at once, including adoption of the new QF contracts, the controversies surrounding the filed QF contracts are likely to stretch well beyond the date when the Commission will be in a position to issue a resolution on the protests to the Tier 3 advice letters.

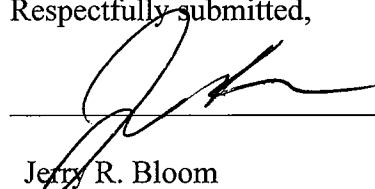
As stated above, however, at a minimum, the implementation date for the new as-delivered capacity values should be the same for all three of the IOUs. In the Decision, the Commission reiterated its goal of consistency among the three IOUs.⁵ Given the Commission's goals of consistency and fairness in setting avoided cost prices, equity dictates that the IOUs should implement the newly adopted as-delivered capacity values concurrently.

⁵ *Id.* at 67.

II. CONCLUSION

For the reasons set forth above, the CCC respectfully requests that PG&E's as-delivered avoided cost pricing for January 2008 be reinstated at \$69.93 per kW-year, adjusted for inflation, and that value remain in place until the date determined by the Commission for concurrent implementation of SRAC pricing under the Decision. The CCC further requests that that implementation date be on the first month following the Commission's adoption of a resolution on the IOUs' Tier 3 advice letters.

Respectfully submitted,



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Certificate of Service

I hereby certify that I have this day served a copy of the
*Motion of the California Cogeneration Council to Adjust Pacific Gas and Electric Company
2008 As-Delivered Capacity Prices for Qualifying Facilities*

on all known parties to R.04-04-003 and R.04-04-025 by sending a copy via electronic mail and by mailing a properly addressed copy by first-class mail with postage prepaid to each party named in the official service list without an electronic mail address.

Executed on March 3, 2008 at San Francisco, California.


Rosalie Marschall

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